# ATLANTIC Report

Fall 2008

Vol. 43, No. 3

## Outlook 2009: Braving the Storm

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## About this Report


*Atlantic Report* is published quarterly by the Atlantic Provinces Economic Council (APEC).


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Every effort is made to ensure accuracy in analysis and reporting: the material in this issue of Atlantic Report is based on information obtained as of October 28, 2008. The forecast was finalized on November 14, 2008.


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# Atlantic Report
# *Highlights*

## Outlook 2009: Braving the Storm

- The global economy is slowing rapidly as policymakers continue to grapple with an ongoing financial crisis. Nevertheless, financial markets remain volatile and it will take time for credit pressures to ease.

- The Atlantic region is not immune to spillovers from these developments. Weakening U.S. and global demand will make it difficult for exporters to expand, although the rapid fall in the Canadian dollar will ease pressure on profit margins. Some major project investment activity is likely to be at least delayed in response to difficulties in project financing, while most businesses will experience tighter credit conditions. Sharply lower commodity prices may cause the viability of some mining developments to be re-evaluated and will contribute to lower government resource revenues. Atlantic consumers and businesses will trim and postpone spending in response to increased uncertainty, tighter credit, losses in wealth and energy prices that are still high historically.

- With financial markets, commodity prices and exchange rates changing so rapidly and the full implications of the financial crisis not yet apparent, there is considerable uncertainty associated with the outlook for 2009.

- Annual GDP growth in the U.S. will be flat at best in 2009. The Canadian economy is expected to expand by a meagre 0.3% next year with output growth strengthening through the year with improving consumer spending and exports.

- Real GDP growth in **Newfoundland and Labrador** is expected to be about 0.2% this year as buoyant consumer and investment spending is offset by lower oil output. GDP will decline by an estimated 1.3% in 2009 as oil production is expected to decline by about 10%. Investment spending on mining and energy products, government infrastructure spending and robust wage growth will help moderate a slowdown in consumer spending and weakness in non-energy exports.

- Economic growth in **Prince Edward Island** is forecast to slow from 1.1% in 2008 to 0.8% in 2009 due to weak global demand and pressures on consumers. High potato prices will support farm incomes and government infrastructure spending will also underpin domestic spending.

- Real GDP growth in **Nova Scotia** will be an estimated 1.0% this year helped by increased major project investment. Modest increases in major project investment will help moderate a further slowdown to 0.8% in 2009 as consumer and housing market activity slow and export markets soften further.

- Economic growth in **New Brunswick** is expected to slow to 1.1% this year as higher non-residential investment activity is offset by lower export volumes. Economic growth will weaken to 0.4% in 2009 as major project investment tails off, consumer spending slows and exports continue to struggle.

# Outlook 2009: Braving the Storm

*The global economy is slowing rapidly as policymakers continue to grapple with what the IMF has described as "the most dangerous financial shock in mature financial markets since the 1930s". At the time of writing, the immediate risk of a "systemic meltdown" in global financial markets appears to have abated in response to unprecedented government intervention and commitments by policymakers in Canada and elsewhere to do whatever is necessary to restore confidence and get credit markets functioning properly. Nevertheless, financial markets remain volatile and it will take time for credit pressures to ease. Meanwhile, the real economy will generate lots of "bad news" in the months ahead.*

*The Atlantic region is not immune to spillovers from these developments. Weakening U.S. and global demand will make it difficult for exporters to expand, although the rapid fall in the Canadian dollar will ease pressure on profit margins and should help them gain market share over time. Some major project investment activity is likely to be at least delayed in response to difficulties in project financing, while most businesses will experience tighter credit conditions. Sharply lower commodity prices may cause the viability of some mining developments to be re-evaluated and will contribute to lower government resource revenues. Less clear is how quickly, by how much, and for how long, Atlantic consumers and businesses will trim or postpone spending in response to increased uncertainty, tighter credit, losses in wealth and energy prices that are still high historically.*

*With financial markets, commodity prices and exchange rates changing so rapidly and the full implications of the financial crisis not yet apparent, there is considerable uncertainty associated with the outlook for 2009. APEC's forecast assumes U.S. output will decline in the second half of 2008 and into 2009 but will begin to recover in the second half of the year as part of a global rebound. Canada will follow the U.S. into a*

*brief recession. The Canadian economy is expected to expand by a meagre 0.3% in 2009 with output growth strengthening through the year with improving consumer spending and exports.*

*There are significant risks to this forecast. A mild global slowdown, fiscal and monetary stimulus, a swift easing of credit pressures and rapidly improving business and consumer confidence, could produce stronger growth in the second half of 2009. On the other hand, prolonged or intensified credit and financial market pressures, and larger and sustained reductions in consumer spending could lead to a protracted and steeper global slowdown.*

## *United States*

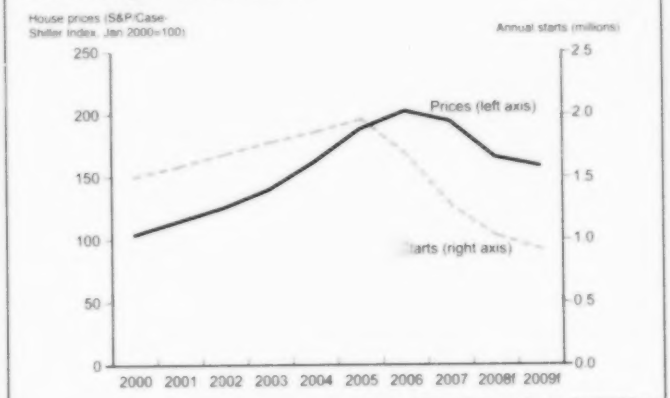
Economic growth in the United States is expected to decline from 2% last year to about 1.6% in 2008, the weakest growth since the dot-com bubble burst, and about half the 3% pace observed during 2003-06. Strong export growth and substantial tax rebates earlier in the year helped offset continuing declines in residential construction and a generally weakening domestic economy. However, output is expected to contract in the second half of 2008 as consumer spending slows rapidly and exports are hurt by slowing demand and a higher U.S. dollar. Atlantic Canada's exporters are already feeling the impact with exports of forest products down 22% through August and other non-energy exports down 5%.

The U.S. housing market remains the epi-centre of the current U.S. slowdown and global financial market chaos. Banks and other investors have suffered large losses on mortgage-backed securities due to rising delinquencies. The decline in construction activity has pulled down GDP growth and contributed to job losses. A reduced level of housing activity and lower net worth are spilling over into lower consumer expenditure. While the end of the correction may be near, risks remain (see box). Next year offers

### The U.S. Housing Market: Is the Bottom in Sight?

The U.S. housing market grew rapidly in the first half of this decade with new home construction more than 30% higher in 2005 than in 2000. Fueled by an extended period of low interest rates, strong economic growth, new financing techniques and weakening lending standards, U.S. house prices doubled in value between 2000 and mid-2006. By 2006 more than 40% of new U.S. mortgages were nonprime. As interest rates rose and mortgages were reset at higher rates, default rates increased, swelling the number of homes on the market and bursting the price bubble.

**U.S. Housing Market Retreats**




Source: APEC, U.S. Census Bureau, Standard&Poors

New home construction has been falling steadily since January 2006, with starts down a further 31% in the first nine months of this year. Declining demand and lower lumber prices have hit Atlantic Canada's lumber and other construction exports. Atlantic exports of construction products fell 34% in 2007 and were down a further 40% in the first eight months of 2008 with the largest declines in windows and door frames (down 53%) and lumber (down 45%). About 50% of Atlantic Canada's exports are destined for the Northeast region and Atlantic exports to this region have fallen by the greatest amount since 2005 despite the Northeast experiencing the smallest percentage decline in housing construction.

Analysts keep looking for signs that the U.S. housing market crash has run its course. There were some signs that things were bottoming out during the summer: new home sales increased for the first time in July, the inventory of new unsold homes fell for the second straight month, the rate of decline in prices and starts slowed. However, housing starts fell sharply in the third quarter. Further delinquencies due to mortgage payments being reset at higher rates and homeowners defaulting on their mortgages as the value of their homes shrink, will add to the already large inventory of unsold homes, further depressing both prices and housing starts. Prices will need to fall further before affordability is sufficiently restored, but tighter lending requirements will limit the uptake in demand.

Several analysts expect the U.S. housing correction to bottom out in mid-2009. A prolonged U.S. recession, mounting job losses and intensified credit pressures could delay the recovery although a new administration may take steps to accelerate a turnaround. With U.S. housing starts projected to decline a further 10% in 2009 Atlantic lumber exporters will have to wait until at least late 2009 and into 2010 for an upturn, although the lower Canadian dollar will improve profit margins and pricing options for mills that are still operating.

little comfort for Atlantic lumber exporters. Atlantic exports of construction products have fallen by more than 50% since 2005 and a further decline in U.S. housing starts is expected in 2009.

U.S. consumers, the mainstay of the economy, appear to be fading fast in the face of a drop in housing and financial wealth, and a slowdown in labour income. The U.S. economy has shed more than 750,000 jobs this year, led by losses in construction, manufacturing and retail. With the unemployment rate rising above 6%, wage growth is slowing, while higher food and energy prices have pushed up the inflation rate to more than 5% in the third quarter. Real income growth has slowed dramatically and consumer spending is following suit. Retail sales declined for the third straight month in September and are down 1% from September 2007. Real US consumer spending growth is expected to decline next year, assuming no new stimulus package is enacted. Motor vehicle purchases are particularly at risk with a further decline in sales projected following this year's anticipated 15% drop.

Annual GDP growth in the U.S. will be flat at best in 2009 with a gradual recovery during the year and into 2010 contingent on the housing market bottoming out, consumer spending beginning to recover, and the absence of further fall out from the credit crisis. This is unprecedented in recent times: the U.S. has not experienced three consecutive years of sub-par growth since the 1950s.

## *Other Trade Partners*

The U.S. slowdown, combined with the impact of increases in energy and food prices earlier this year, and now the effects of the global credit crunch, are contributing to a slowdown in most major economies. The UK is particularly affected with its own housing market bust and a decline in output likely in 2009 and no real GDP growth anticipated in the Eurozone. The Japanese economy is also expected to slow with growth of about 0.5% next year. The European Union and Japan account for a combined 10% of Atlantic Canada's merchandise exports with non-mineral exports to these countries declining by 18% and 3% respectively so far this year.

Emerging economies remained relatively stable during the immediate stages of this fall's financial crisis but there are some signs that the financial pressures are spreading. Inflation remains elevated as energy and food account for relatively large shares of consumer budgets. Economic growth in developing economies is generally expected to moderate in the face of slowing export demand but should remain well above rates in developed countries. For example, China's economy is expected to slow to about 9%, compared with almost 12% growth in 2007. However, there are some concerns about how quickly China's economy is slowing. Although China only accounts for about 1.7% of Atlantic Canada's exports, the bigger impact is likely to be the effect on global commodity prices.

## *Commodity Prices*

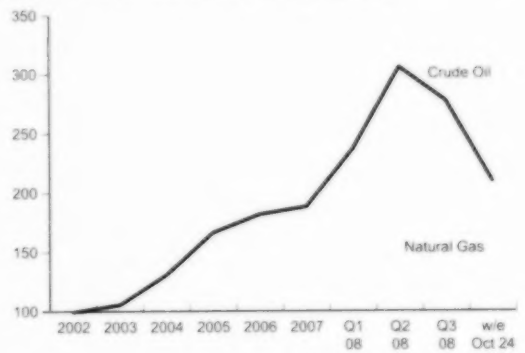
In the face of rapidly slumping demand, commodity prices have retreated from earlier highs. In particular, oil prices which peaked at over US$140/barrel in July, fell to below US$65/barrel in mid-October. Slumping commodity prices and a flight to the U.S. dollar have brought down the Canadian dollar which plummeted from about parity against the U.S. dollar early in the year to below US$0.80 by mid-October.

The sharp reversal in world energy prices since the summer will ease cost pressures on Atlantic consumers and businesses although the decline is mitigated by the accompanying drop in the Canadian dollar. Corporate profits and government royalties will be lower moving into 2009. In terms of production and exploration, the regional energy sector seems secure in the short term but lower metal prices and tighter credit is expected to trigger

## Commodity Price Bust Tests Robustness of Atlantic Canada's Resource Sector

Oil prices spiked sharply in 2008, reaching a high of over US$140/barrel in July. Price prices have since plummeted to below US$65/barrel in mid-October as demand slows in response to previously higher prices and an expected global economic slowdown. Demand growth in non-OECD countries in 2009 is currently expected to offset declining demand in advanced countries. Supply growth remains weak and could be adversely affected by the current drop in prices and credit pressures. Newfoundland and Labrador's offshore oil output is expected to decrease in 2009 due to declining reserves but near-term exploration plans are likely to proceed due to prior commitments to secure drilling rigs for the region.

**Lower Canadian Dollar Limits Impact of Falling Energy Prices**
**Energy prices in Canadian dollars (Index, 2002=100)**



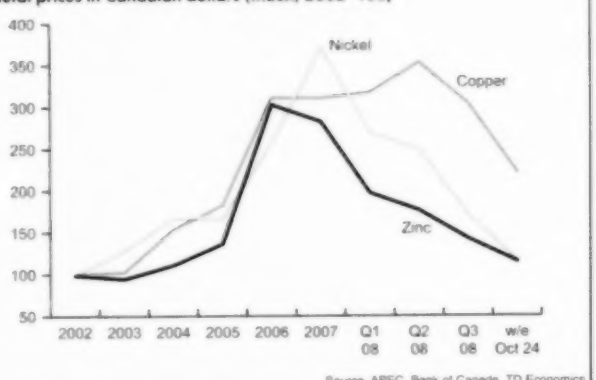

Source: APEC, Bank of Canada, TD Economics

Natural gas prices have followed a similar trajectory to oil prices this year with rising U.S. production (from shale and unconventional developments) helping rebuild inventories after an unusually cold winter. Prices may pick up in the winter as seasonal demand increases. EnCana continues to move forward with development of its Deep Panuke project with other operators likely to take advantage of having a rig nearby to drill other exploration wells.

Supply disruptions helped drive up coal prices earlier in the year but prices have fallen sharply since mid-year. Coal prices affect electricity generation costs, particularly in Nova Scotia where regulators approved an average 9.4% rate increase effective January 2009. Xstrata is due to make a decision next year on re-opening the Donkin mine. Coal prices (in Canadian dollars) in mid-October were still well above average 2007 levels.

Rising demand from emerging markets has contributed to significantly higher metal prices since 2002, contributing to increased production values in Atlantic Canada, the opening and re-opening of mines and a jump in exploration activity. Most metal prices are now in sharp decline as a global slowdown weakens demand and some reversal in Atlantic mining activity is expected.

**The Shine Has Come Off Metal Prices**
**Metal prices in Canadian dollars (Index, 2002=100)**




Source: APEC, Bank of Canada, TD Economics

As of mid-October, copper prices (in Canadian dollars) were still above 2005 levels but zinc prices had fallen back to 2004 average levels and nickel prices were below 2003 average levels. Blue Note mining recently announced that their newly reopened Caribou and Restigouche zinc/lead mines in New Brunswick woula be idled. One nickel mine in Ontario has already suspended production but the Vale Inco nickel mine in Labrador which started production in late 2005 has a lower breakeven point. Iron ore prices have been more robust with the Iron Ore Company of Canada in the middle of expanding its Labrador operations. Potash has experienced a huge upswing in prices so far in 2008 supported by strong global demand for fertilizer. A potash mine expansion is currently underway in New Brunswick.

| Canadian Outlook | 2007 | 2008e | 2009f |
|---|---|---|---|
| Real GDP (% Change) | 2.7 | 0.6 | 0.3 |
| Employment (% Change) | 2.3 | 1.5 | 0.2 |
| Unemployment Rate (%) | 6.0 | 6.1 | 6.8 |
| Housing Starts (000s) | 228 | 211 | 185 |
| Retail Sales (% Change) | 5.8 | 3.9 | 3.0 |
| Inflation (% Change CPI) | 2.1 | 2.5 | 1.6 |
| Interest Rates (overnight target rate)* | 4.25 | 2.00 | 2.50 |
| Exchange Rate (US$/Can$)* | 0.99 | 0.85 | 0.90 |

* year-end figures, e-estimate, f-forecast

Source: APEC

a sharp reversal in mineral exploration in the Atlantic region and could lead to shutdowns at some marginal operations (see box).

There is considerable uncertainty about the future path of commodity prices and the Canadian dollar and recent volatility could persist for some time. APEC's forecast assumes that commodity prices will recover somewhat from current levels during the course of 2009 as supply adjusts and global demand eventually picks up. With long-term downward pressures on the U.S. dollar expected to be renewed in time, the loonie is assumed to recover to about US$0.90 by the end of 2009.

## *Canada*

Canada's economy has struggled over the last year with real GDP in the second quarter up only 0.6% over the previous year. Slumping exports in the face of a global slowdown, a decline in housing market activity and slower consumer and investment spending all contribute to weak growth prospects. There is a growing consensus that Canadian output will decline in the fourth quarter of 2008, remain weak into the first quarter of 2009 but return to near-potential growth by the end of the next year. However, forecasters disagree on how weak growth will be in the first half of the year. Central Canada is expected to be hardest hit due to declining demand for manufacturing exports (motor vehicles in particular); the Western provinces will grow at a much slower pace than recently. APEC is assuming the Canadian economy will expand by just 3% in 2009.

Prior to the fall financial crisis, inflation was an increasing concern for the Bank of Canada. Higher energy prices boosted the consumer inflation rate to 3.5% in August but the higher Canadian dollar helped insulate consumers from the large increases in food costs experienced elsewhere. The recent drop in energy prices, combined with a slowing economy, should moderate the inflation rate (although the lower Canadian dollar may feed through into higher import costs). Accordingly, the Bank of Canada cut interest rates by 0.5% on October 8 as part of a coordinated global reduction and by a further 0.25% at its scheduled October 21 meeting. The Bank indicated that further easing in monetary policy is likely to achieve its 2% inflation target.

Lower revenues and rising expenditures are testing the fiscal management of the federal government. As of late October, the finance minister indicated that the federal government is still on track to deliver a "modest" surplus of $1.2 billion for the current fiscal year, despite the larger than expected $1.7 billion deficit recorded in August of this year, due in part to higher transfer payments. The federal government now seems more willing to accept that a deficit is likely in 2009-10, and that any efforts to contain spending or increase revenues would only compound the country's economic problems. Many of the country's leading economists and analysts are suggesting the federal government should be willing to go even further into deficit territory, with investments in infrastructure, human capital and research and development which could both smooth the business cycle and lead to long term prosperity. However, the problem with deficits is that it is often difficult to contain them to the short-term. TD Economics currently projects that Canada could face deficits of $10 billion in each of the next two fiscal years, and possibly two further years of deficits beyond that.

A similar fiscal challenge is facing the Atlantic provinces as own-source revenues slow while public pension funds may need to be topped up in the face of declining asset

values. New Brunswick's projected surplus of $19 million for 2008-09 will be negatively impacted by lower mining tax revenues and increased expenditures due to spring flooding. Equalization payments are expected to be little changed in 2009-10 although with improvements to Newfoundland and Labrador's fiscal position, the province is no longer expected to qualify for such payments.

## *Atlantic*

Atlantic exporters are facing another tough year due to weak global conditions although a lower Canadian dollar should provide some relief to profit margins and in time may help boost volumes. The lower Canadian dollar should provide temporary relief to the Atlantic operations of multinational firms that were facing review due to declining cost competitiveness when the dollar was at parity. However, this may not be enough to offset the losses from declining global demand: cost cutting measures by firms in the face of financing challenges and higher pension contributions could lead to layoffs and temporary or permanent closures in key export sectors.

While employment levels increased steadily in the 18 months prior to January, there has been no overall job growth in the Atlantic region this year with gains in public administration and health care offset by overall losses in the private sector. Businesses and consumers are expected to be cautious in their spending plans over the next year. In this environment, most provinces will do well to sustain current employment levels. Unemployment rates are likely to edge up and wage growth will slow, although wage gains in Newfoundland and Labrador will be supported by public sector wage settlements. Tax cuts have helped sustain disposable incomes in Prince Edward Island and Newfoundland and Labrador but no further tax cuts are expected next year.

Consumers are being affected by multiple pressures, besides slowing income growth. The sharp drop in energy prices since the summer will cushion consumers through the

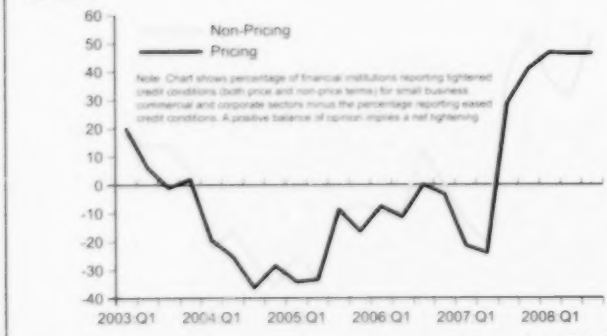
### The Credit Crisis Reaches Atlantic Canada

The financial crisis that began in August 2007 following the collapse in the U.S. subprime mortgage market intensified this September, seriously disrupting financial markets worldwide and causing the collapse of several financial institutions. Several Atlantic seafood companies face potential financial challenges due to their partnership with Icelandic banks Glitnir and Landsbanki that are now in receivership. The Barry Group, High Liner Foods and Ocean Choice International have all received loans from these banks. Clearwater's plan to go private was halted by the loss of a $25 million commitment from Glitner and the subsequent inability to obtain alternative sources of financing. One Atlantic wind farm project was forced to secure alternative financing following the collapse of Lehman Brothers.

In the face of extreme market turbulence, governments and central banks are taking extraordinary actions in an attempt to stabilize the financial system, including extending bank deposit guarantees, taking equity stakes in commercial banks and various liquidity measures. Canada has not been immune from these developments but the pressures have been less severe due to more conservative banking practices.

With widespread uncertainty about the solvency of counterparties, financial institutions have been reluctant to lend to each other, resulting in sharply higher spreads on interbank loans. Recent government measures have had some impact in reducing these spreads but they remain elevated and will take time to subside. Meanwhile, central banks have reduced target interest rates to help lower borrowing costs. Corporate spreads have also increased making it difficult for large companies to access funding.

**Canadian Banks Tightening Business Lending**
**Per cent**




Source: Bank of Canada

Financial institutions in Canada are tightening business credit with higher loan rates relative to prime along with more restrictive loan terms and a limitation in the amount of funds lent. This effect will feed through into Atlantic Canada. Consumer credit will also be affected by tighter conditions and weaker income growth.

Some major project investment activity in the region is likely to be curtailed or delayed to due to difficulties in project financing, particularly those heavily reliant on external financing. The $5 billion project Keltic petrochemical plant in Nova Scotia will be delayed for two years due to adverse lending conditions while the timing of a proposed $2 billion expansion of the Come By Chance refinery in Newfoundland and Labrador will depend upon when suitable investors can be secured. Acadian Mining failed to raise $20 million to create a spin-off operation. Companies looking to refinance debt also face challenges. AbitibiBowater, which owns three mills in the region, needs to roll over US$600 million in debt in 2009 while Emera may delay some refinancing, including $280 million in financing for its Brunswick Pipeline.

winter months but energy prices (in Canadian dollar terms) are still likely to be higher than in 2007. Uncertainty and fear associated with deteriorating conditions has hurt consumer confidence. With personal investments falling in value and some tightening in borrowing conditions, consumer spending growth is likely to be weaker next year as consumers postpone purchases and boost their savings. Big-ticket items (including motor vehicles and renovations) are most likely to be hit but retailers should expect a soft Christmas season. Spending could pick up later in 2009 if economic conditions start to turn around.

Residential construction is forecast to weaken in 2009 as developers delay building plans in the face of tighter financing conditions. Existing home sales will also slow, moderating price gains. Markets in Saint John and St. John's have been most robust but will not be immune from the slowdown.

Non-residential construction will be mixed with some expansion in industrial spending in Newfoundland and Labrador and Nova Scotia related to mining and energy projects. However, exploration activity is expected to fall sharply, some major projects will be postponed, and regular capital budgets are likely to be trimmed. Commercial developments will likely slow but institutional and infrastructure spending is expected to be sustained, although there is a risk that provincial governments will postpone spending to trim potential deficits.

Oil output in Newfoundland and Labrador will drop sharply next year while Nova Scotia natural gas output will slow slightly. The new Saint John LNG terminal will boost natural gas exports but LNG imports will also increase. Iron ore output will grow due to expansions at the Iron Ore Company of Canada but production at marginal mines in the region may be suspended due to low prices.

The fishing industry and other manufacturers will be facing weak demand and service exporters are at risk of cutbacks from US financial institutions and other large corporations. Tourism is expected to be weak with more people staying closer to home. A lower Canadian dollar and cautious consumers may dampen winter vacation plans. For those who still need to escape south, Mexico may become a more attractive alternative to the U.S.: while the Canadian dollar has been in free fall over the past 30 days against the U.S. dollar it has risen steadily against the Mexican Peso.

Real GDP growth in **Newfoundland and Labrador** is expected to be about 0.2% this year as relatively robust consumer and investment spending is offset by lower oil output. GDP will decline by an estimated 1.3% in 2009 as oil production is expected to decline by about 10%. Investment spending on mining and energy products, government infrastructure spending and robust wage growth will help moderate a slowdown in consumer spending and weakness in non-energy exports.

Economic growth in **Prince Edward Island** is forecast to slow from 1.1% in 2008 to 0.8% in 2009 due to weak global demand and pressures on consumers. High potato prices will support farm incomes and government infrastructure spending will also underpin domestic spending.

Real GDP growth in **Nova Scotia** will be an estimated 1.0% this year helped by increased major project investment. Modest increases in major project investment will help moderate a further slowdown to 0.8% in 2009 as consumer and housing market activity slow and export markets soften further.

Economic growth in **New Brunswick** is expected to slow to 1.1% this year as higher non-residential investment activity is offset by lower export volumes. Economic growth will weaken to 0.4% in 2009 as major project investment tails off, consumer spending slows and exports continue to struggle.■

## Global Slowdown Challenging for Atlantic Exporters

The faltering U.S. economy is a concern for Atlantic exporters due to their heavy dependence on the U.S market. However, with most advanced and developing economies expected to slow in 2009, the immediate benefits of having more diversified markets is limited. Longer term, there may be further opportunities for market diversification but the costs and risks of entering faster-growing emerging markets will deter small and less experienced exporters.

Almost all of the region's energy exports are shipped to the United States and these energy products accounted for 69% of total Atlantic exports to the U.S. in 2007. Higher energy prices have further boosted the value of Atlantic Canada's energy exports in 2008. Atlantic exports of natural gas to the U.S. will increase in 2009 due to the first year of operation of the Canaport LNG facility in Saint John and will receive a further boost in 2011 with a full year of production from the Deep Panuke natural gas project off Nova Scotia.

There are several other mega-projects on the horizon that are focused on supplying energy to the U.S. market. These include a proposed second refinery and a second nuclear reactor in Saint John and the Hebron oilfield and Churchill hydro projects in Newfoundland and Labrador. The proponents will be carefully assessing how the current U.S. slowdown and volatility in energy prices will impact the economics of these projects.

**Atlantic Canada's Top 12 Merchandise Exports**

| | Exports, 2007 ($m) | | U.S. Share, 2007 (%) | Growth 00-07 ($m) | |
|---|---|---|---|---|---|
| | U.S. | Other | | U.S. | Other |
| Energy Products | 16,263 | 424 | 97.5 | 11,272 | 355 |
| Fish | 1,327 | 10 | 59.3 | -447 | 280 |
| Paper | 1,178 | 557 | 67.9 | -552 | -116 |
| Rubber | 753 | 27 | 96.5 | -88 | 25 |
| Wood | 624 | 92 | 87.1 | -659 | 44 |
| Pulp | 322 | 328 | 49.6 | -212 | -56 |
| Process Vegetables | 278 | 92 | 75.2 | -14 | 24 |
| Machinery | 231 | 192 | 54.6 | 35 | 118 |
| Process Fish/Meat | 216 | 115 | 65.3 | -146 | 38 |
| Plastics | 199 | 13 | 94.0 | 42 | 9 |
| Ores | 102 | 1,875 | 5.2 | -42 | 1,307 |
| Fertilizer | 57 | 141 | 28.9 | 33 | 57 |
| **TOTAL (ALL PRODUCTS)** | **23,464** | **5,565** | **80.8** | **9,246** | **2,477** |
| **TOTAL (NON-ENERGY)** | **7,201** | **5,141** | **58.3** | **-2,026** | **2,122** |

Almost 60% of Atlantic Canada's non-energy exports are destined for the U.S. market but some sectors have a much higher dependence. Over 95% of Atlantic exports of rubber tires, wood products and plastics are destined for the U.S. along with more than 80% of the region's processed potatoes. Declining consumer demand and a drop in U.S. construction will impact these sectors.

There has been some diversification to non-U.S markets in recent years. Despite slumping U.S. sales, fish products (notably shrimp) have expanded outside North America. Machinery exports, which include aerospace products, have grown much faster outside the U.S., a trend that has continued into 2008. Some products, most notably ores and fertilizer, already have a relatively small share of exports to the U.S. However, exports of ores will be adversely affected by slowing global demand and lower prices.

# Provincial Report
# *Newfoundland & Labrador*

## *Current Conditions*

Economic activity in Newfoundland and Labrador was buoyant in the first nine months of this year outperforming the other Atlantic provinces in job growth, consumer spending and construction activity. Employment averaged 1.9% higher in the first three quarters of the year relative to 2007 but the number of people employed (on a seasonally adjusted basis) was lower in the third quarter than in the spring. The unemployment rate declined 0.7 percentage points to 13%. The biggest job gains were in construction and public administration while employment declined in manufacturing and accommodation and food services. Wages in the province increased 3.8% in the first seven months of the year, well ahead of the inflation rate, buoyed by strong demand in the construction sector and public sector wage settlements. Along with lower personal taxes, this has helped drive retail sales up 8.2% as of August. Although higher gas prices have played a large part in the increase, overall spending has been solid, including increased sales of new and used vehicles.

***Declining oil production will weigh on overall GDP growth in Newfoundland and Labrador this year and next.***

The housing market boomed in the first nine months of the year with strong increases in both urban and rural starts as total housing starts jumped 25%. Home prices have increased sharply in St. John's, with prices for existing two-storey homes up nearly 23% in the first three quarters of the year, the second-highest increase out of all of Canada's major cities. Non-residential construction activity was also strong with increased spending on the White Rose expansion and higher commercial construction.

Non-energy exports grew less than 1% through August with gains in ores, frozen fish and shellfish outweighing declines in most other sectors. High oil prices boosted the province's energy exports, up 37% in the first seven months of the year, despite a 9% decrease in oil production. Similarly, the increased value of refined petroleum pushed total manufacturing shipments up 29% as of August.

## *Outlook*

Declining oil production will weigh on overall GDP growth in Newfoundland and Labrador this year and next. Oil output is expected to be down about 10% next year. Real GDP growth is expected to be about 0.2% in 2008 followed by a decline of 1.3% in 2009. Aside from oil, growth is being supported by consumers, major project investment and government spending despite weakness in export markets. In 2009, consumer spending growth is expected to moderate and the housing market will not be as strong with fewer housing starts.

The manufacturing sector will continue to be a concern with weak global demand depressing commodity prices, although the lower Canadian dollar should provide an important offset. However, the province's two newsprint mills are still at risk of closing and demand for fish products will be weak in both the U.S. and overseas markets. The difficulties facing Icelandic banks could pose a financial risk to the province's fishing industry as some companies have received significant financing from these banks in recent years.

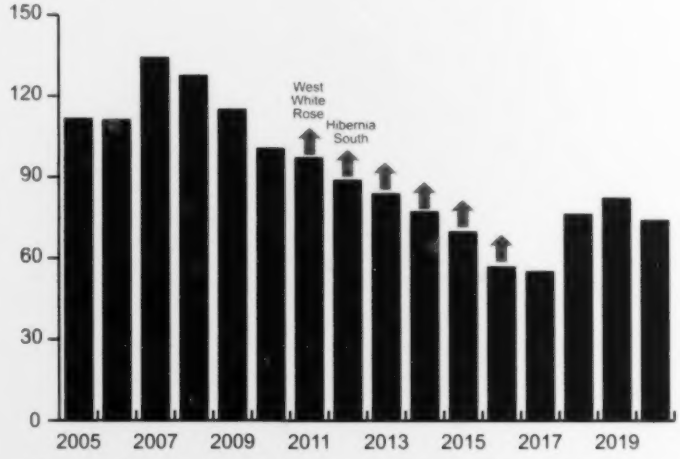
Work on Husky Energy's expansion of its White Rose project will continue in 2009 with first oil coming from the North Amethyst field early in 2010. Major contracts have been awarded for fabrication of subsea equipment, flowlines and manifolds. A well will be drilled on the nearby West White Rose field this year to help enhance reserve estimates. First oil from that field is expected in 2011. A decision on the Hibernia South expansion is expected within the next few months. First oil from that expansion

project could come in 2012. Early planning, engineering and environmental work on the $5 billion Hebron project will take place over the next few years but construction is unlikely to begin before 2012 with first oil between 2016 and 2018.

Offshore exploration will expand over the next few years as Husky has extended the drilling contract of the GSF Grand Banks rig for three more years and has entered a sharing agreement with other operators to bring the Henry Goodrich oil rig back to the Newfoundland offshore. A large share of the work will be on the White Rose expansion project but other exploration is also expected in the Jeanne d'Arc Basin. Future exploration got a boost with the latest call for bids leading to spending commitments of $186 million for offshore Labrador where large natural gas fields are anticipated. Husky Oil, Chevron Canada and Suncor Energy were among the companies awarded the exploration rights. Work on the Lower Churchill hydroelectricity project continues to move forward but the timing of a proposed $2 billion expansion of the Come-by-Chance oil refinery depends on how long it takes to find financing.

Construction is set to begin on Vale Inco's nickel processing facility in Long Harbour next year. Final feasibility analysis is underway and a decision by the company to go ahead is expected next spring. Activity in 2009 would mainly be clearing and site work with the peak construction in 2010 and 2011 at about 2,000 workers. The $2.2 billion facility would begin processing nickel early in 2012 and employ 450 people. Expansion of the Iron Ore of Canada mine in Labrador City will also continue in 2009. The company will spend $800 million between 2008 and 2011 to increase iron ore pellet production by 50% and add 200 jobs in Labrador City. However, mineral exploration throughout the province is expected to slow sharply in 2009 due to falling mineral prices and more difficult financing conditions.

**Newfoundland Has Reached Peak Oil Production**
**Millions of barrels**




Note: Chart includes oil production from Hibernia, Terra Nova, White Rose, North Amethyst (from 2010) and Hebron (from 2017).

Source: Canada Newfoundland and Labrador Offshore Petroleum Board/NL Dept. of Natural Resources/APEC

| Newfoundland and Labrador Outlook | 2007 | 2008e | 2009f |
|---|---|---|---|
| Real GDP (% Change) | 9.1 | 0.2 | -1.3 |
| Employment (% Change) | 0.6 | 1.6 | 0.3 |
| Unemployment Rate (%) | 13.6 | 13.1 | 13.4 |
| Retail Sales (% Change) | 8.9 | 7.4 | 4.2 |
| Inflation (% Change CPI) | 1.5 | 3.0 | 1.6 |
| Housing Start (000s) | 2.7 | 3.0 | 2.8 |

e=estimate, f=forecast

Source: APEC

A five-year plan by the provincial government to spend $3 billion on infrastructure will support construction activity in the province. Offshore royalties, projected to be about $1.7 billion in the 2008-09 fiscal year, were based on an average oil price of US$87/barrel and an exchange rate of US$0.99. Although oil prices have fallen considerably below this level in recent weeks, along with the Canadian dollar, APEC does not anticipate any serious downside risk to the royalty projections if prices remain near current levels for the rest of the fiscal year.■

# Provincial Report
# *Prince Edward Island*

## *Current Conditions*

Prince Edward Island's economy has been steady in the first three quarters of the year in the face of soft export markets. Employment was up 1.6% in the first nine months, slightly below a national gain of 1.8%. The unemployment rate edged slightly higher to 10.5% due to an increase in the participation rate. Broad-based job gains in services have been offset by declines in the export-dependent sectors of manufacturing and accommodation and food services. However, wage growth of 1.6% in the first seven months of the year has lagged well behind the province's inflation rate. Consumer price inflation was 3.8% in the first eight months – the highest rate in the country, reflecting the larger share of gasoline and oil products in household budgets. While retail sales were up 5.4% in the first eight months, much of this gain has been due to higher gasoline prices.

***Economic growth is projected to fall closer to 1% in 2008 and 2009 due to weak export markets and a slowing domestic economy.***

Exports increased 2.4% over the first eight months of the year weighed down by decreases in exports of food products. Although wet weather conditions have caused crop damage to some potato farms, farmers are expected to benefit from significantly higher prices. Disaster relief has been provided to affected potato producers through the new AgriRecovery program that enables federal and provincial governments to jointly respond to natural disasters with targeted assistance beyond existing programs.

Manufacturing shipments were flat through August with decreases in chemicals offset by increases in transportation equipment. One bright spot is aerospace, with gains in both manufacturing shipments and exports. The aerospace industry continues to grow, with Honeywell announcing in September an expansion at its Summerside location that will create twelve new positions.

Construction activity has dipped on par with last year with a 1.5% decline in total starts in the first three quarters. Urban starts were up 2.7% helped by new construction in Summerside. Non-residential building permits increased almost 180% in the first eight months of the year due to work on the Charlottetown hospital.

Tourism numbers in the first eight months of the year were steady despite record rainfall in August. Room-nights sold were 0.4% less than last year. These rates were buoyed by a 22% increase in Islanders vacationing within the province. High gas prices were likely responsible for a greater tendency for travelers to stay closer to home this season. Visitors from the United States decreased nearly 17%. Other international visitors increased nearly 15%, helped by a 60% increase in Japanese tourists, likely helped by marketing of the 100th anniversary of the publication of the novel Anne of Green Gables.

## *Outlook*

Real GDP growth in Prince Edward Island has averaged 2.2% in the last five years, noticeably below the 2.7% national growth rate. A lack of major investment projects, weakness in major industries and only modest growth in consumer and government spending have contributed to this slower pace. Economic growth is projected to fall closer to 1% in 2008 and 2009 due to weak export markets and a slowing domestic economy.

Consumer spending growth is forecast to slow in 2009 as consumers become more cautious, job and wage growth slows, and with no further tax stimulus expected. The housing market is expected to continue to weaken in 2009 led by single family home declines and a levelling off in prices. Construction of apartment and other multiple-unit buildings is expected to remain steady.

The tourism industry will continue to struggle in 2009 as weakness in the U.S. and Ontario economies limits visits to the Island.

The lower Canadian dollar will discourage some Canadians from traveling abroad and the drop in gasoline prices could help travel within the Atlantic region. Local tourism boosted room sales this year and local and regional markets could be key to next year's tourism revenues.

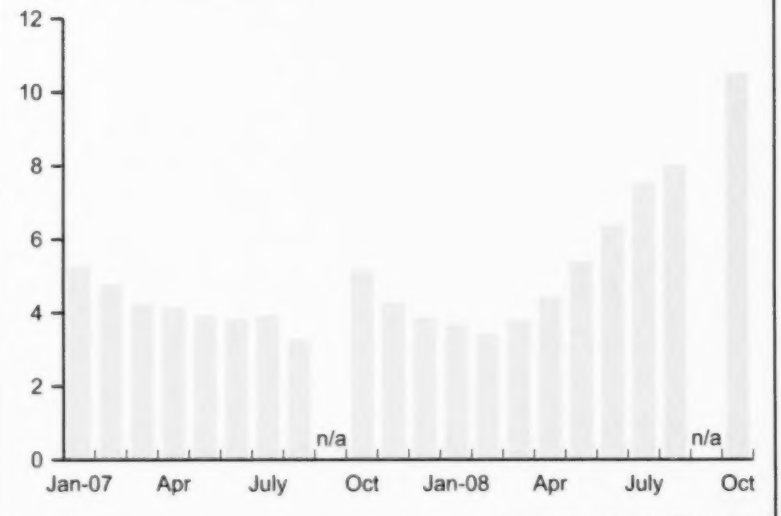
Overall farm income should be stable in 2009 as losses from fall flooding are offset by higher prices and disaster assistance that has already been approved for those that qualify. Cuts in area planted across North America should help keep potato prices solid next year and growers of potatoes for Island processors recently negotiated a 10-11% increase. While the fishery will benefit from a better exchange rate in 2009, weak demand in the U.S. market will keep prices low. Business relationships with struggling Icelandic banks could pose a financial risk for some of the larger processors in Prince Edward Island if loans are recalled.

The Island manufacturing sector is more insulated from the commodity swings facing some other Canadian provinces. The potato processing sector will face weak U.S. and global demand but a lower Canadian dollar will boost margins and may help solidify market share. The strengthening aerospace and bioscience industries will continue to grow supported by provincial government initiatives.

Investment spending on the Island will continue to be dominated by government infrastructure projects. The Building Canada Fund announced in the spring federal budget should provide a boost as projects are approved. Work is also expected to ramp up on the Charlottetown hospital expansion next year. Other provincial spending increases will likely be modest. A $35 million deficit is forecast for the 2008-09 fiscal year but revenue growth is likely to slow.

The final phase of the West Cape wind farm was expected to be complete by the end of this year along with a new transmission line to Summerside. Wind energy will continue to be an important driver over the next few years. The Province recently announced a plan to increase wind energy production from 150 MW to 500 MW by 2013. The $1 billion plan calls for 100 MW built for export by 2011 and an additional 200 MW for export with new transmission infrastructure by 2013. Another 50 MW will be built for local use. The project is expected to create 850 construction jobs and $218 million in local construction spending.■

**Potato Prices are Close to Double Last Year's Level**
**Price per 50 bag (Dollars, average FOB)**




Source: PEI Dept. of Agriculture/PEI Potato Board

| Prince Edward Island Outlook | 2007 | 2008e | 2009f |
|---|---|---|---|
| Real GDP (% Change) | 2.0 | 1.1 | 0.8 |
| Employment (% Change) | 1.2 | 1.6 | 0.3 |
| Unemployment Rate (%) | 10.3 | 10.6 | 11.0 |
| Retail Sales (% Change) | 7.7 | 4.6 | 3.2 |
| Inflation (% Change CPI) | 1.8 | 3.8 | 1.4 |
| Housing Start (000s) | 0.7 | 0.7 | 0.6 |

e=estimate, f=forecast

Source: APEC

# Nova Scotia

## Current Conditions

Economic growth has been moderate in Nova Scotia in the first nine months of 2008. Employment levels have continued to advance, up 1.3% in the first three quarters of the year, pushing the unemployment rate down 0.4 percentage points to 7.7%. Employment gains came from construction, professional services, and public administration. The largest decreases were in education, manufacturing and accommodation & food services. Wages have not kept pace with inflation, rising only 2.1% as of July compared with an inflation rate of well over 3%. Despite this, retail sales have been firm, up 5.6% to August, with spending on motor vehicles up 5% in the first half of the year.

***Limited job growth and modest wage gains will constrain disposable incomes with tighter credit and a loss of consumer confidence likely to further restrain spending...***

Gains in construction jobs came despite a lacklustre real estate market, with total starts down 12% over the first three quarters. Urban starts advanced 4% despite a significant decline in Halifax. Construction activity is likely to slow in the remaining months with residential building permits up only 2.2% as of August and non-residential building permits only 1.7% higher than last year.

Energy exports increased 18% in the year to August due to higher natural gas prices and production. However, non-energy exports were down 6%, led by decreases in wood products and seafood. Manufacturing shipments, were up nearly 12% due to increases in the price of refined petroleum as well as gains in transportation equipment. These were enough to offset decreases in shipments of wood products and computer and electronic products.

The number of tourists visiting the province were down 3% as of August. There were 17% fewer visitors from the United States, as high gas prices, the high Canadian dollar and a struggling U.S. economy deterred summer visitation from south of the border. Cruise ship activity remains a bright spot, with visits to Halifax up 31% and visits to Sydney almost double last year's numbers.

## Outlook

Annual real GDP growth in Nova Scotia has been stuck in the 0.9-1.8% range for the last five years as business and government investment has been muted and growth in consumer expenditure has been below the Canadian average. Growth in 2008 and 2009 is forecast to be at the bottom of this range due to modest household spending and challenging export markets. Major project investment spending should continue to provide some offset led by spending on the Deep Panuke natural gas project.

Limited job growth and modest wage gains will constrain disposable incomes with tighter credit and a loss of consumer confidence likely to further restrain spending, at least through the first part of next year. Spending on larger items such as new cars and other durables are most vulnerable. The housing market will continue to pullback with declines in both housing starts and resale activity and only marginal increases in prices.

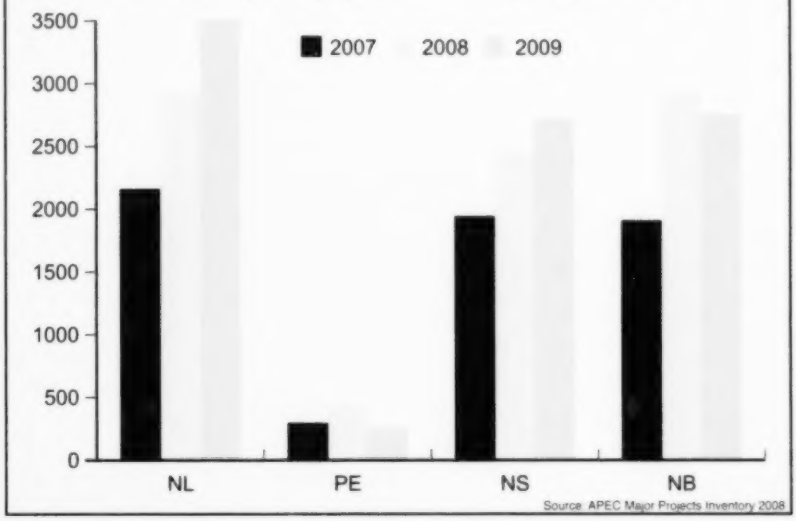
Little employment growth is expected in 2009 as the export sector faces declining demand but a lower Canadian dollar will ease recent pressure on profit margins. Manufacturers of construction products and newsprint will continue to face weakening demand in North America. Job growth may continue in professional services in Halifax although cutbacks by major U.S. corporations is a significant risk factor. Employment at the new Research in Motion facility is still expected to grow from its current 500 employees to 1,200 by 2010. Keane Inc. announced in March that it will add 375 jobs over the next five years while the pace of hiring back office positions for the developing financial services sector could slow due to the ongoing turmoil in financial markets.

Work on the Deep Panuke natural gas project will peak in 2009 which will provide a boost to investment and construction activity but the project is about a quarter of the size of the original Sable development. First gas is expected late in 2010 with the major boost from production coming in 2011. Drilling on the Panuke fields will begin next year with the Rowan Gorilla III drill rig doing the development work. This may lead to other exploration and development work in the offshore. The proponents of the Sable project are looking at developing nearby fields to prolong the life of that project. Canadian Superior Energy and BEPCo are also looking at drilling wells late next year. The last exploration well drilled in the Nova Scotia offshore was at the end of 2004. There is also significant onshore exploration planned for shale gas and coalbed methane, some of which is expected to occur next year.

Some growth in non-energy major project investment is also expected led by work on the Sydney Tar Ponds. The proposed $300 million Melford container terminal received environment approval from the province in October and could start construction next year if the required financing can be secured and final project approval is given. A decision on whether to proceed with re-opening the Donkin coal mine is also anticipated next year. The $6 billion Keltic Petrochemical/Maple LNG project is still waiting on a supplier of natural gas and is holding off on its financing until markets settle. This has delayed the start of construction until at least 2010.

The provincial government will be keeping a close watch on income tax revenues and offshore royalties over the coming months and has indicated that there may be some tightening of departmental spending if revenues decline. A forecasted surplus of $355 million in the summer fiscal update may be downgraded later this fall. The August Budget Update is now projecting royalties of $585 million in 2008-09, up from about $513 million in April, but royalties could fall if prices keep dropping. A growing unfunded liability in the public service and teachers pension plans is also a concern. The two plans had unfunded liabilities of nearly $1.2 billion at the end of 2007, a figure that will have risen due to the declining value of investments in recent months. This will make for a challenging spring budget if the pension shortfall has to be addressed at a time of weak economic growth in the province. ■

**Major Project Investment in Nova Scotia Expected to Increase Further in 2009**
**Estimated Value of current year major project investment spending ($millions)**




Source: APEC Major Projects Inventory 2008

| Nova Scotia Outlook | 2007 | 2008e | 2009f |
|---|---|---|---|
| Real GDP (% Change) | 1.6 | 1.0 | 0.8 |
| Employment (% Change) | 1.3 | 1.3 | 0.4 |
| Unemployment Rate (%) | 8.0 | 7.7 | 8.1 |
| Retail Sales (% Change) | 4.2 | 5.0 | 2.9 |
| Inflation (% Change CPI) | 1.9 | 3.3 | 1.5 |
| Housing Start (000s) | 4.7 | 4.1 | 3.8 |

e=estimate, f=forecast

Source: APEC

# Provincial Report
# *New Brunswick*

## *Current Conditions*

Employment growth in New Brunswick has tapered off in 2008 after strong gains throughout 2007. Average employment levels during the first three quarters were still 1.1% higher than in 2007, but this is well below the 1.8% national increase. The unemployment rate has increased by almost one percentage point to 8.5% as the rate of job creation failed to keep pace with labour force growth that was boosted by an increase in the participation rate. Most of the employment gains came from health care and public administration, while there were fewer jobs in manufacturing and business services.

***Next year, economic growth is projected to soften to about 0.4% as major project investment tails off and exporters face further declines in demand in U.S. and global markets.***

Average wage growth of 3.2% to July has kept ahead of the province's inflation rate. Year-over-year inflation was tied for the lowest in the country at 2.1%. With modest income growth retail sales have been firm, up 5.6% in the year to August, although the nominal increase is inflated due to the impact of higher gas prices.

As of August, non-energy exports were down 9% this year due to lower sales of paper, lumber and other wood products. Energy exports have increased nearly 54% due to higher prices for refined petroleum. Similarly, manufacturing shipments were up almost 35% in the first eight months of the year as the increased value of refined petroleum outweighed decreases in shipments of wood products.

Residential construction activity appears to be slowing with year-over-year growth rates declining since the first quarter. Total starts in the first three quarters were up only 2.6% led by higher urban starts. The market in Saint John is particularly strong, with prices for existing two-storey homes increasing an average of nearly 22% in the first three quarters.

## *Outlook*

Growth in the New Brunswick economy is expected to fall from 1.6% in 2007 to about 1.1% in 2008 as higher non-residential investment activity is offset by weak export volumes. Next year, economic growth is projected to soften to about 0.4% as major project investment tails off and exporters face further declines in demand in U.S. and global markets. Natural gas exports will jump next year due to the Canaport LNG terminal which is expected to begin operation in late 2008 but the increase in LNG imports will limit the contribution to GDP growth.

New Brunswick has the greatest export dependence on the U.S. economy with nearly 90% of its merchandise exports going to the U.S., compared to 76% in the other Atlantic provinces. A prolonged slowdown in the U.S. economy will have a deeper impact on New Brunswick. However, a lower Canadian dollar will help restore battered profit margins and may help maintain the viability of some mills. Lumber production could decline again in 2009 due to a further expected decline in annual housing starts in the United States where a turnaround is not expected until at least 2010. The rest of the forest sector is unlikely to see much growth but new investments by Fraser Papers, the AV Group and J.D. Irving will help improve the long-term viability of the sector in the province.

The recent momentum in the mining sector has slowed as mineral prices have fallen sharply over the last year. Exploration spending is expected to drop from long-term highs in 2007-08 due to lower prices and difficulties to in securing financing. The viability of new and existing mines is being challenged. The Blue Note Mining zinc/lead mine in northern New Brunswick closed in October due to falling prices and will not produce any more

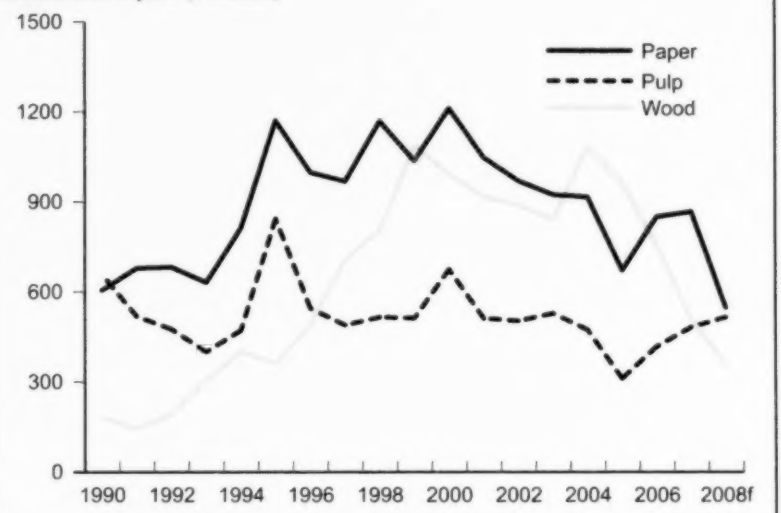
ore until prices improve. Zinc prices have fallen about 40% on average this year and by mid-October were close to the average price in 2005. The much larger Brunswick mine operated by Xstrata was expected to close in 2010 but could potentially shut down sooner if prices fall below production costs.

The provincial government will struggle to keep a balanced budget this year and next year as revenues from businesses and consumers slow. The provincial government is facing lower revenues from its metallic minerals tax due to sharply lower prices. Government spending is likely to be higher than planned this year due to higher costs for capital infrastructure projects and the unexpected costs associated with the spring floods in the Saint John River Valley. The province may also need to provide funding for provincial pension plans. The province has already indicated that it may have to look at cost-cutting measures before the end of this fiscal year.

Residential construction activity is likely to decline with lower housing starts forecast for Moncton, Saint John and Fredericton and limited gains in house prices. Tighter credit and consumers cautious about undertaking major renovations will constrain investment. With limited job and income growth, consumers are expected to moderate their spending in the face of declining investment assets.

A decline in overall major project spending is forecast for 2009 due to the completion of the Canaport LNG project and the supporting Brunswick pipeline later this year. The absence of these projects will outweigh higher spending on the potash mine expansion by Potash Corp. of Saskatchewan which has already brought forward some of its spending into 2008. No major change in investment spending is expected on the Point Lepreau nuclear plant refurbishment which is due to be completed next year.

**New Brunswick Pulp Exports Steady as Lumber and Paper Exports Fall to 15-Year Low**
**Merchandise exports ($ millions)**




Source: Strategis Trade Data Online, APEC

| New Brunswick Outlook | 2007 | 2008e | 2009f |
|---|---|---|---|
| Real GDP (% Change) | 1.6 | 1.1 | 0.4 |
| Employment (% Change) | 2.1 | 0.8 | 0.2 |
| Unemployment Rate (%) | 7.6 | 8.5 | 9.1 |
| Retail Sales (% Change) | 5.7 | 4.9 | 2.8 |
| Inflation (% Change CPI) | 1.9 | 2.0 | 1.7 |
| Housing Start (000s) | 4.0 | 4.2 | 3.7 |

e=estimate, f=forecast

Source: APEC

A recovery in global markets by 2010 could set the stage for renewed growth in New Brunswick. Irving Oil is expected to make a decision on a second refinery in Saint John by late next year with construction getting underway in 2010. The $7 billion project would create up to 5,000 construction jobs between 2010 and 2013 and significantly increase refined petroleum output. The second nuclear facility at Point Lepreau is still under review and no construction activity is expected for a few years.■

# Atlantic Economic Snapshot

## ATLANTIC ECONOMIC SNAPSHOT

### Labour Markets

| | Period | NFLD | PEI | NS | NB | Atlantic | Canada |
|---|---|---|---|---|---|---|---|
| **Employment** | Jan-Sept 08 | 221.1 | 70.5 | 452.4 | 365.6 | 1,109.5 | 17,120.8 |
| *thousands* | Jan-Sept 07 | 217.0 | 69.5 | 446.5 | 361.7 | 1,094.6 | 16,817.8 |
| | %change | 1.9 | 1.6 | 1.3 | 1.1 | 1.4 | 1.8 |
| **Unemployment Rate** | Jan-Sept 08 | 13.0 | 10.5 | 7.7 | 8.5 | 9.2 | 6.0 |
| *percent* | Jan-Sept 07 | 13.7 | 10.3 | 8.1 | 7.6 | 9.3 | 6.1 |
| **Unemployment Rate** | Sept 08 | 13.3 | 11.4 | 7.6 | 8.0 | 9.1 | 6.1 |
| *percent (current month)* | Sept 07 | 13.5 | 10.6 | 7.9 | 8.3 | 9.4 | 5.9 |
| **Participation Rate** | Jan-Sept 08 | 59.7 | 69.0 | 63.8 | 64.8 | 63.5 | 67.8 |
| *percent* | Jan-Sept 07 | 59.2 | 68.5 | 63.6 | 63.9 | 63.0 | 67.6 |

### Consumer Markets

| | Period | NFLD | PEI | NS | NB | Atlantic | Canada |
|---|---|---|---|---|---|---|---|
| **Consumer Price Index (CPI)** | Jan-Sept 08 | 114.3 | 117.7 | 116.2 | 113.4 | n/a | 114.1 |
| *2002=100, unadjusted (period avg.)* | Jan-Sept 07 | 111.0 | 113.4 | 112.2 | 111.1 | n/a | 111.3 |
| | %change | 3.0 | 3.8 | 3.5 | 2.1 | n/a | 2.5 |
| **Residential Permits** | Jan-Aug 08 | 384.7 | 74.8 | 583.0 | 382.1 | 1,424.6 | 29,000.9 |
| *$ millions* | Jan-Aug 07 | 273.3 | 76.4 | 570.7 | 373.8 | 1,294.1 | 29,746.0 |
| | %change | 40.7 | -2.1 | 2.2 | 2.2 | 10.1 | -2.5 |
| **Urban Housing Starts** | Jan-Sept 08 | 1,580.0 | 348.0 | 2,607.0 | 2,399.0 | 6,934.0 | 145,993.0 |
| *Units; unadjusted* | Jan-Sept 07 | 1,291.0 | 339.0 | 2,506.0 | 2,247.0 | 6,383.0 | 147,135.0 |
| | %change | 22.4 | 2.7 | 4.0 | 6.8 | 8.6 | -0.8 |
| **Rural Housing Starts** | Jan-Sept 08 | 718.0 | 179.0 | 499.0 | 856.0 | 2,252.0 | 17,996.0 |
| *Units; unadjusted* | Jan-Sept 07 | 541.0 | 196.0 | 1,029.0 | 926.0 | 2,692.0 | 26,034.0 |
| | %change | 32.7 | -8.7 | -51.5 | -7.6 | -16.3 | -30.9 |
| **Retail Trade** | Jan-Aug 08 | 4,689.3 | 1,136.2 | 8,136.3 | 6,510.7 | 20,472.4 | 285,711.2 |
| *$ millions* | Jan-Aug 07 | 4,332.8 | 1,078.3 | 7,704.9 | 6,167.4 | 19,283.4 | 272,972.7 |
| | %change | 8.2 | 5.4 | 5.6 | 5.6 | 6.2 | 4.7 |

### Industrial Markets

| | Period | NFLD | PEI | NS | NB | Atlantic | Canada |
|---|---|---|---|---|---|---|---|
| **Total Non-Energy Exports** | Jan-Aug 08 | 2,173.9 | 563.1 | 2,680.6 | 2,664.4 | 8,082.0 | 231,400.0 |
| *$ millions, unadjusted* | Jan-Aug 07 | 2,156.3 | 550.0 | 2,860.1 | 2,928.9 | 8,495.3 | 244,467.0 |
| | %change | 0.8 | 2.4 | -6.3 | -9.0 | -4.9 | -5.3 |
| **Total Energy Exports** | Jan-Aug 08 | 7,928.0 | 1.7 | 1,049.2 | 6,637.4 | 15,616.3 | 90,696.0 |
| *$ millions, unadjusted* | Jan-Aug 07 | 5,780.0 | 1.7 | 886.1 | 4,506.1 | 11,173.9 | 62,441.0 |
| | %change | 37.2 | 0.6 | 18.4 | 47.3 | 39.8 | 45.3 |
| **Manufacturing Shipments** | Jan-Aug 08 | 4,809.0 | 951.1 | 7,252.6 | 13,059.5 | 26,072.3 | 408,725.3 |
| *$ millions* | Jan-Aug 07 | 3,712.4 | 950.8 | 6,484.0 | 10,114.9 | 21,262.2 | 408,701.3 |
| | %change | 29.5 | 0.0 | 11.9 | 29.1 | 22.6 | 0.0 |
| **Non-Residential Permits** | Jan-Aug 08 | 149.5 | 66.9 | 301.3 | 326.6 | 844.3 | 19,838.7 |
| *$ millions* | Jan-Aug 07 | 114.5 | 24.1 | 296.2 | 285.1 | 720.0 | 19,477.9 |
| | %change | 30.6 | 177.1 | 1.7 | 14.6 | 17.3 | 1.9 |

Note: Seasonally adjusted unless otherwise noted (unadjusted).

Source: Statistics Canada